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SUBJECT: KAZAKHSTAN: SECRETARY JOHANN'S JANUARY 11 MEETING  
WITH DEPUTY PRIME MINISTER AND MINISTER OF INDUSTRY AND  
TRADE MYNBAYEV

1. (U) Participants in Secretary Johann's January 11  
Meeting with Kazakhstani Deputy Prime Minister and Minister  
of Industry and Trade Mynbayev in Astana:

U.S.  
Secretary Mike Johanns

SIPDIS  
Mrs. Stephanie Johanns  
Ambassador John Ordway  
Undersecretary of State for Economic, Business, and  
Agricultural Affairs Josette Shiner  
Undersecretary of Treasury for International Affairs  
Timothy Adams  
Deputy Assistant Secretary of State for European and  
Eurasian Affairs Matthew Bryza  
Jim Loveland (Embassy Notetaker)

KAZAKHSTAN  
Deputy Prime Minister and Minister of Industry and Trade,  
Sauat Mynbayev  
Vice-Minister of Industry and Trade, Zhanar Aitzhanova  
Vice-Minister of Agriculture, Liliya Musina  
Vice-Minister of Finance, Gani Uzbekov  
Advisor to the Minister of Industry and Trade, Dinara  
Shaymardanova  
Head Specialist of the Ministry of Industry and Trade, Aray  
Kasabekova

2. (SBU) Summary: During a January 11 meeting with  
Secretary of Agriculture Johanns, Minister of Industry and

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Trade Mynbayev provided an overview of outstanding issues  
relating to Kazakhstan's Working Party negotiations on WTO  
accession. Secretary Johanns complimented Mynbayev on his  
perseverance in the negotiations, and promised to inform  
the U.S. Trade Representative of Kazakhstan's keen interest  
in moving the accession process forward. End Summary.

Mynbayev: WTO Negotiations at "Critical Stage"

3. (SBU) Mynbayev offered a positive assessment of  
Kazakhstan's economy, noting that the country enjoyed 9%  
GDP growth, stable microeconomic indicators, and  
satisfactory balance of payments. The principal topic to  
discuss, of course, was the WTO accession process. "The  
negotiations have reached a critical stage," he told  
Secretary Johanns, "especially regarding agricultural

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issues."

4. (SBU) The Secretary commented on Nazarbayev's decisive  
victory, remarking that, as a politician who had run many  
times for office, he had never won by as large a margin.  
However, the Secretary continued, there has been fair  
criticism of the election. We only ask that you make  
improvements and "continue on the path of democracy." The  
Secretary then turned to the issue of WTO accession, asking

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Mynbayev to summarize the outstanding issues.

Tariffs and Safeguards

5. (SBU) Mynbayev replied that the remaining issues fell  
into two primary categories: agricultural subsidies, and  
tariffs and safeguards. In terms of tariffs and  
safeguards, he said, the GOK had a good idea of what the  
negotiating countries wanted. However, the preliminary  
proposals were very broad; the GOK would like the U.S. to  
focus on issues that were "commercially significant." It  
would be better, he said, "to come to agreement on the  
specific issues that are important to you."

State Subsidies to Agriculture

6. (SBU) Mynbayev then turned to the issue of state support

for agriculture. We understand that the U.S. is working toward a worldwide reduction of subsidies, he said. He then described factors which motivated GOK subsidization of agriculture: long, difficult winters; export paths "blocked by Russia" and hindered by Kazakhstan's lack of an outlet to the sea; and Russia's discriminatory railway tariffs. 40% of the Kazakhstani population works in agriculture, Mynbayev told the Secretary, in conditions of low productivity. Thus, "it takes time" to reduce the levels of state subsidies. The total amount of state support, he said, was 9% of gross agricultural product, and very small in absolute terms - only \$650 million. "This is a sensitive area for us," Mynbayev concluded. "Our situation is not comparable to that of European countries."

#### Labor Migration, Transport Tariffs, and Telecom

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17. (SBU) Mynbayev then explained the GOK's position on a series of WTO-related issues. On labor migration, he noted that the GOK still relied on a system of quotas. The GOK's visa mechanism, he said, was "weak," and not "streamlined" as in Western countries. "We have a lot to learn," he concluded. "But we are doing it regardless of the WTO negotiations."

18. (SBU) Addressing the issue of railway transport, Mynbayev acknowledged that "we require much greater transparency," and noted that the GOK was in the process of analyzing how to lower railway tariffs. Similarly, the government had "taken some steps" to lower pipeline tariffs. The telecommunication sector was a concern: the GOK would like to retain 50% capital ownership, he said, for national security considerations.

#### "WTO Plus" Issues

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19. (SBU) Mynbayev noted that Kazakhstan had undertaken numerous sector-specific WTO-plus initiatives. While the GOK had adopted "most" of the items, "we would like flexibility on the part of your negotiators." "We would like to set several aside," he concluded, and work toward less than 100% compliance.

#### Phyto-Sanitary Barriers

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10. (SBU) Turning to Sanitary and Phyto-Sanitary Barriers (SPS), Mynbayev began by saying that "our negotiators will confirm that we've accomplished a lot." The GOK planned further amendments to the customs laws, and was "trying to accelerate the process." In the first six months of next year, he said, the GOK hoped to introduce 10 new laws to parliament.

11. (SBU) Secretary Johanns concluded the meeting by telling Mynbayev that he appreciated his perseverance. The Secretary added that he worked with the USTR on an ongoing

SIPDIS basis, and would "sit down with the Trade Representative and reassert your significant interest in moving forward on this."

12. (U) Secretary Johanns did not have the opportunity to clear this cable.

ASQUINO